



ANNUAL REPORT

. 1996



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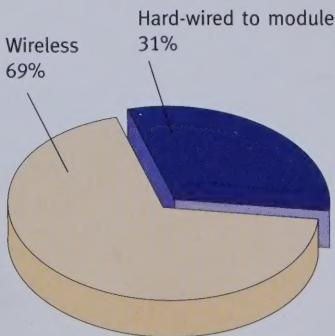




Display modules shown at actual size

Telepanel's wireless electronic shelf labels are the most reliable and cost effective available.

Grocers' Preference for ESL Design



CB Consultants April 1996

To Our Shareholders:

Your company made good progress in fiscal '96. Telepanel installed 25 production stores and increased its installation base to 74 stores with over 1,000,000 Telepanel display modules. Approximately 22,000,000 fully automated wireless price changes have been made for our customers since the systems were installed.

Our new product line, the Millennium 2000, reduces production costs, eases installation and is the smallest two way wireless electronic price display in the marketplace. The new attachment device, Shelf Lock™, makes for fast and easy installation and allowed 15,000 price display modules to be installed by customer staff in two days at Reasor's in Oklahoma.

Last fall, IBM and Telepanel extended our relationship with a new agreement which allows Telepanel to establish additional distribution channels to access smaller grocery operations. The recent agreement with the largest grocery wholesaler, Fleming, is a fine example of this alternate distribution capability.

Telepanel continues to lead the market through absolute marketshare, cost effectiveness, technology and importantly the quality of our customers. Telepanel invested in sales and marketing last year to accelerate the adoption of our technology and to actively compete in an expanding market. Fiscal '96 saw our base expand to include Edwards, Sam's Wholesale Club, Roundy's, Reasor's, Fleming, American Stores, Loblaws, Waremart and Grand Union. In the past 12 months, in North America, Telepanel has announced agreements for over 90 stores as compared to 3 by our competition.

An update to the CB Consultants report, The North American Market For Electronic Shelf Labels 1995-2000, April 1996, indicated that approximately 70 percent of potential users of electronic shelf pricing preferred wireless technology and showed a clear preference for Telepanel. The report further indicated "The ESL product appears to be poised on the threshold of universal acceptance and promising substantial growth".

Telepanel's automated price management system provides substantial merchandising flexibility, labour and material cost savings and 100 percent accuracy between the price displayed at the shelf edge and that charged at the checkout. We expect that the electronic shelf pricing marketplace will grow rapidly in the near future. The company plans to maintain its leadership position.

Fiscal '97 goals include establishing distribution in Europe, obtaining new customers and chain rollouts in North America, and product development with a focus on continuing cost reductions.

The success of the company depends upon the dedication and hard work of all of our stakeholders, customers, suppliers, shareholders, and employees, I would like to take this opportunity to thank them all.

Sincerely,

Chris Skillen

President and Chief Executive Officer

AUDITORS' REPORT

To the Shareholders of
Telepanel Systems Inc.

We have audited the consolidated balance sheets of Telepanel Systems Inc. as at January 31, 1996 and 1995 and the consolidated statements of operations and deficit and changes in financial position for each of the years in the three-year period ended January 31, 1996. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at January 31, 1996 and 1995 and the results of its operations and the changes in its financial position for each of the years in the three-year period ended January 31, 1996 in accordance with generally accepted principles in Canada.

CONSOLIDATED BALANCE SHEET

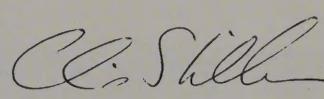
(in Canadian dollars)

January 31

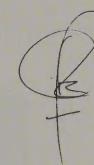
	1996	1995
Assets		
Current assets		
Cash and short-term investments	\$ 5,146,469	\$ 3,230,364
Accounts receivable (Note 3)	534,829	592,377
Inventories (Note 4)	2,094,981	2,228,695
Prepaid expenses	23,287	163,443
	7,799,566	6,214,879
Fixed assets (Note 5)	707,866	568,721
Deferred expense (Note 6)	152,728	243,118
	\$ 8,660,160	\$ 7,026,718
Liabilities		
Current liabilities		
Bank and other indebtedness (Note 7)	\$ 700,000	\$ 1,555,524
Accounts payable and accrued liabilities	983,194	868,463
	1,683,194	2,423,987
Debenture (Note 8)	1,713,753	—
Shareholders' Equity		
Capital stock and warrants (Note 9)	28,417,666	23,625,480
Deficit	(23,154,453)	(19,022,749)
	5,263,213	4,602,731
	\$ 8,660,160	\$ 7,026,718

See accompanying notes to financial statements.

Approved by the Board



Director



Director



Chartered Accountants
Toronto, Canada
March 19, 1996

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

(in Canadian dollars)

	Year ended January 31		
	1996	1995	1994
Product sales	\$ 2,947,086	\$ 3,381,131	\$ 433,448
Expenses			
Manufacturing	3,885,093	4,023,591	814,969
Selling, general and administration	2,237,692	1,988,738	1,831,421
Research and development	438,456	476,041	449,885
Patent enforcement	—	—	20,125
Patent licence fees	—	—	301,795
Depreciation and amortization	239,816	178,650	90,557
Amortization of debenture discount (Note 8)	238,194	—	—
Debenture interest	213,786	—	—
Other interest	97,942	71,869	12,740
	7,350,979	6,738,889	3,521,492
Loss from operations before the undernoted items	(4,403,893)	(3,357,758)	(3,088,044)
Interest earned	272,189	206,639	237,805
Other revenue	—	—	62,500
	272,189	206,639	300,305
Loss for the year	(4,131,704)	(3,151,119)	(2,787,739)
Deficit, beginning of year	(19,022,749)	(15,871,630)	(22,136,028)
Reduction of deficit on reduction of capital stock (Note 10)	—	—	9,052,137
Deficit, end of year	\$ (23,154,453)	\$ (19,022,749)	\$ (15,871,630)
Loss per common share	\$ (0.26)	\$ (0.22)	\$ (0.21)

See accompanying notes to financial statements.

Pricing accuracy is
one of the keys
to customer
satisfaction,
confidence
and store loyalty.



CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(in Canadian dollars)

	Year ended January 31		
	1996	1995	1994
Cash provided by (used in)			
Operating activities			
Loss for the year	\$ (4,131,704)	\$ (3,151,119)	\$ (2,787,739)
Item not requiring a current outlay of cash			
Depreciation and amortization	478,010	178,650	90,557
Changes in noncash			
working capital (Note 12)	446,149	(1,503,722)	(1,024,141)
	(3,207,545)	(4,476,191)	(3,721,323)
Financing activities			
Issuance of common shares and warrants	4,792,186	1,205,132	7,230,675
Bank and other indebtedness	(855,524)	1,295,821	72,292
Debenture (Note 8)	1,475,559	-	-
	5,412,221	2,500,953	7,302,967
Investing activities			
Purchase of fixed assets, net	(288,571)	(188,641)	(450,235)
Short-term deposits	-	2,000,000	(2,000,000)
	(288,571)	1,811,359	(2,450,235)
Increase (decrease) in cash during the year	1,916,105	(163,879)	1,131,409
Cash, beginning of year	3,230,364	3,394,243	2,262,834
Cash, end of year	\$ 5,146,469	\$ 3,230,364	\$ 3,394,243
Supplemental information			
Interest paid	\$ 311,728	\$ 71,869	\$ 12,740

See accompanying notes to financial statements.



With Telepanel,
 prices at the shelf edge
 and the checkout
 are identical.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 31, 1996 (in Canadian dollars)

1. Nature of operations

Telepanel Systems Inc. (the "company") is a developer, manufacturer and supplier of an electronic shelf pricing and information system for use in the retail industry and, in particular, the supermarket industry. The system enables supermarkets to change product pricing at the shelf by the use of a central computer and radio frequency communications technology. The company has selected the North American retail supermarket industry as the initial market because this industry requires frequent price changes on a large number of products and has implemented bar code scanning checkout technology.

2. General and summary of significant accounting policies

The consolidated financial statements of the company have been prepared in accordance with accounting policies generally accepted in Canada, which, except as described in Note 17, conform in all material respects to accounting policies generally accepted in the United States. The principal accounting policies followed by the company, which have been consistently applied, are summarized as follows:

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of consolidation

The accompanying financial statements include the accounts of the company and its wholly-owned subsidiary, Telepanel Products Inc. All significant intercompany balances and transactions have been eliminated on consolidation.

Cash

Cash consists of highly-liquid investments which have original maturities of less than three months.

Inventories

Inventories are valued at the lower of cost (determined using the first-in, first-out method) and net realizable value. The cost of work in progress and finished goods includes the cost of raw materials, direct labour and related overhead expenses.

Fixed assets

Fixed assets are recorded at cost. Depreciation is calculated on a declining-balance basis over the estimated useful lives of the assets at the following annual rates:

Computer equipment	30%
Furniture and equipment	20%

Maintenance and repair costs are expensed as incurred.

Revenue recognition

Revenue from the sale of products is recognized at the time the company has completed its contractual commitments with respect to the sale.

Translation of foreign currencies

The company's foreign subsidiary is classified as integrated.

Current assets (excluding inventories) and current liabilities are translated at the rates in effect at the balance sheet dates, whereas other assets and other liabilities are translated at rates prevailing at the respective transaction dates. Revenues and expenses are translated at average rates prevailing during the year, except for cost of inventory used and depreciation, which are translated at exchange rates prevailing when the related assets were manufactured or acquired. Currency gains and losses are reflected in operations for the year.

Research and development costs

Research and development costs are charged to operations in the year of expenditure.

Stock options

Stock options are valued using the intrinsic method.

3. Accounts receivable

Included in accounts receivable at January 31, 1996 is a non-interest bearing secured advance to an officer of the company in the amount of \$60,000.

4. Inventories

	1996	1995
Raw materials	\$ 745,058	\$ 890,685
Work in progress	67,480	297,905
Finished goods	1,184,863	922,100
Deposits on purchases	97,580	118,005
	\$2,094,981	\$2,228,695

5. Fixed assets

	1996		
	Cost	Accumulated depreciation	Net
Computer equipment	\$ 269,591	\$200,648	\$ 68,943
Furniture and equipment			
Manufacturing	1,083,047	449,422	633,625
Office	38,755	33,457	5,298
	\$1,391,393	\$683,527	\$707,866
	1995		
	Cost	Accumulated depreciation	Net
Computer equipment	\$ 227,258	\$ 180,173	\$ 47,085
Furniture and equipment			
Manufacturing	836,809	321,796	515,013
Office	38,755	32,132	6,623
	\$1,102,822	\$ 534,101	\$ 568,721

6. Deferred expense

The deferred expense of \$152,728 (1995 – \$243,118), which was originally paid for in fiscal 1993 by the issuance of 47,144 common shares at a fair market value of \$186,691 with the balance in cash, represents costs incurred to arrange and negotiate a remarketing agreement. These costs are being amortized on the basis of revenues expected from the agreement. Amortization of \$90,390 (1995 – \$52,987) was recorded in the year.

7. Bank and other indebtedness

The company has an \$800,000 operating line of credit with a nonbanking institution bearing interest of 11% at January 31, 1996 (1995 – 11.75%). On January 31, 1996, the balance drawn on this line was \$Nil (1995 – \$719,009). This line is secured by a fixed and floating charge on all assets and a specific assignment of export receivables financed. The company also has a \$1,000,000 bank operating loan bearing interest at prime plus 1-3/4%, which is secured by a general security agreement. There are certain covenants, including financial ratios, which must be complied with. On January 31, 1996, the balance drawn on this line was \$700,000 (1995 – \$836,515).

The weighted average interest rates on bank and other indebtedness for the three fiscal years ended January 31, 1996 are 11.07%; 1995 – 8.88%; and 1994 – 8.14%.

8. Debenture and unamortized financing costs and debt discount

On June 15, 1995, the company issued a \$3,000,000 debenture, bearing interest of 11.26% per year, repayable at the company's option any time before maturity on June 15, 1999. The debenture is secured by a fixed and floating charge on all assets of the company subordinate to security for bank and other indebtedness. The company simultaneously issued 1,200,000 warrants exercisable at \$2.50 per share expiring June 15, 2000 to the debenture holder. The total consideration received for the debenture and the warrants amounted to \$3,000,000.

If the debenture principal and interest due are paid on or before June 15, 1996, then 225,000 of the warrants may be cancelled at the company's option. In addition, if the common stock has traded at or above \$5 per share for 60 consecutive trading days on or before June 15, 1996, then the expiry date of the warrants is changed to June 15, 1999, and an additional 225,000 of the warrants may be cancelled by the company. There are certain covenants, including financial ratios, which must be complied with. The company is required to make annual principal payments 90 days after the annual fiscal year end based on a definition of available net cash. No annual payment is required in the current fiscal year.

The value assigned to the debenture and the warrants was \$1,475,559 and \$1,373,875, respectively. The cost of issuing the debenture was \$150,566. These costs and the value of the warrants will be amortized over the four-year term of the debenture. During the period, \$238,194 was amortized.

The carrying value of the debenture at January 31, 1996 is as follows:

Principal amount of debenture payable	\$3,000,000
Less: Unamortized financing costs and debt discount	1,286,247
	\$ 1,713,753

9. Capital stock and warrants

Authorized and issued share capital

Authorized capital comprises an unlimited number of common shares.

	1996		1995		1994	
	Shares	Amount	Shares	Amount	Shares	Amount
Capital stock						
Balance, beginning of year	14,967,781	\$23,569,902	14,165,557	\$22,420,348	12,304,855	\$ 24,241,810
Shares issued for cash						
Issue of shares, net of costs of (\$221,740, 1994 - \$621,303)	1,238,593	2,778,752	-	-	1,260,000	5,678,697
Issue of shares on exercise of warrants and options	214,210	322,161	761,750	976,638	407,040	680,527
Shares issued under compensation plan	136,529	321,727	26,474	75,000	150,000	630,000
Shares issued for services and acquisition of fixed assets	-	-	14,000	97,916	43,662	241,451
Reduction of deficit and capital stock (Note 9)	-	-	-	-	-	(9,052,137)
Balance, end of year	16,557,113	26,992,542	14,967,781	23,569,902	14,165,557	22,420,348
Warrants						
Balance, beginning of year	-	55,578	-	-	-	-
Warrants issued for services, net of costs of \$14,422	-	-	-	55,578	-	-
Warrants issued as part of debenture financing, net of costs of \$4,329 (Note 8)	-	1,369,546	-	-	-	-
Balance, end of year	-	1,425,124	-	55,578	-	-
Total capital stock and warrants	16,557,113	\$28,417,666	14,967,781	\$23,625,480	14,165,557	\$22,420,348

The number of warrants exercisable and changes in the warrants are as follows:

	Number of warrants to purchase shares at \$2.50 per share	Number of warrants to purchase shares at \$3.65 per share	Number of warrants to purchase shares at \$1.30 per share	Total warrants	Exercise amount
Balance, January 31, 1993	-	-	932,000	932,000	\$ 1,211,600
Exercised	-	-	(231,500)	(231,500)	(300,950)
Balance, January 31, 1994	-	-	700,500	700,500	910,650
Exercised	-	-	(700,500)	(700,500)	(910,650)
Issued	-	40,000	-	40,000	146,000
Balance, January 31, 1995	-	40,000	-	40,000	146,000
Issued	1,200,000	-	-	1,200,000	3,000,000
Balance, January 31, 1996	1,200,000	40,000	-	1,240,000	\$ 3,146,000

The warrants to purchase shares at \$2.50 and \$3.65 per share expire on June 15, 2000 (Note 8) and August 28, 1999, respectively.

The company has an incentive plan under which options to purchase common shares may be granted to its directors, officers and employees at the discretion of the Board of Directors. Each option under the incentive plan, which allows for the purchase of one share, expires not later than ten years from the date on which it was granted; however, all options granted to date have been for a three to five-year term. The option exercise price is set at the market value at the grant date.

The number of shares issuable under options and the average option price per share are as follows:

	Shares issuable under options			Average price per share		
	1996	1995	1994	1996	1995	1994
Shares issuable under options, beginning of year	1,295,210	1,208,460	905,000	\$ 4.08	\$ 3.84	\$ 2.23
Granted	840,000	168,000	479,000	2.38	4.88	6.26
Exercised	(214,210)	(61,250)	(175,540)	1.50	1.08	2.16
Expired	" (153,500)	(20,000)	-	4.67	5.13	-
Shares issuable under options, end of year	1,767,500	1,295,210	1,208,460	\$ 3.53	\$ 4.08	\$ 3.84

The options outstanding as at January 31, 1996 to purchase common shares are as follows:

Number of shares	Exercise price range	Fiscal year of expiry
491,000	\$2.55	January 31, 1998
451,000	4.20 - 8.375	January 31, 1999
70,000	1.80 - 7.50	January 31, 2000
755,500	1.70 - 2.50	January 31, 2001
1,767,500		

At January 31, 1996, 407,750 of the above options were not exercisable. Out of these options, 221,375 become exercisable in the fiscal year ending January 31, 1997 and 186,375 become exercisable in the fiscal year ending January 31, 1998.

10. Deficit and capital stock reduction

On October 7, 1993, the shareholders approved a resolution to reduce the deficit and capital stock by \$9,052,137.

11. Loss per common share

Loss per common share was based on the weighted average number of shares outstanding during 1996, 1995 and 1994 of 15,972,660, 14,345,740 and 13,380,805 shares, respectively.

12. Consolidated statement of changes in financial position

Changes in noncash operating working capital are as follows:

	Year ended January 31		
	1996	1995	1994
Decrease (increase) in current assets			
Accounts receivable	\$ 57,548	\$ (421,959)	\$ (86,971)
Inventories	133,714	(1,325,130)	(657,596)
Prepaid expenses	140,156	(125,672)	(25,205)
Increase (decrease) in current liabilities			
Accounts payable and accrued liabilities	114,731	369,039	(254,369)
	\$446,149	\$1,503,722	\$1,024,141

13. Strategic alliance and product sales

The company has a sales agreement to September, 1997 which accounts for a significant portion of the company's product sales, with International Business Machines Corporation ("IBM"), whereby IBM has a right to market the company's products in North America.

Export sales to the United States for the three fiscal years ended January 31, 1996 amounted to \$1,903,739; 1995 - \$2,622,342; and 1994 - \$404,600. The remainder of the company's product sales are in Canada.

The percentage of product sales by individual customer which account for more than 10% of revenue are as follows:

Years ended January 31	Percentage by customer	
	First Customer	Second Customer
1996	56.9%	35.4%
1995	74.2	22.4
1994	91.8	-

14. Income taxes

As at January 31, 1996, the company has losses available to be carried forward for income tax purposes amounting to approximately \$11,392,000 which can be applied against future taxable income. These losses expire as follows:

1997	\$ 931,000
1998	935,000
1999	347,000
2000	676,000
2001	2,524,000
2002	2,556,000
2003	3,423,000
	\$11,392,000

As at January 31, 1996, the company has unclaimed research and development expenditures amounting to approximately \$5,900,000, which can be applied to reduce future taxable income and are not subject to expiry.

The tax benefit of the losses carried forward and unclaimed research and development expenditures has not been recorded in the financial statements.

	Year ended January 31		
	1996	1995	1994
Loss for the year	\$ (4,131,704)	\$ (3,151,119)	\$ (2,787,739)
Combined federal and provincial taxation rate	44.6%	44.3%	44.3%
Income tax recovery at combined federal and provincial taxation rate	\$ (1,843,000)	\$ (1,396,000)	\$ (1,235,000)
Manufacturing and processing rate reduction	116,000	88,000	67,000
Effect of subsidiary company losses at lower tax rate	61,000	100,000	34,000
Tax benefit of loss not recorded	1,666,000	1,208,000	1,134,000
Provision for income taxes	\$ -	\$ -	\$ -

15. Financial Instruments

The carrying amount of financial instruments, including cash and short-term investments and bank and other indebtedness, approximated fair value as at January 31, 1996 and 1995 because of the relatively short-term maturity of these investments. The fair value of the company's debenture which is estimated using discounted cash flow analysis, based on the company's current incremental borrowing rates for similar types of borrowing arrangements approximated book value at January 31, 1996.

16. Rental expense

Rental expense for the three fiscal years ended January 31, 1996, 1995 and 1994 are approximately \$97,000 \$106,000 and \$86,000, respectively.

17. Reconciliation to United States generally accepted accounting principles

Reconciliation of loss determined in accordance with generally accepted accounting principles in Canada to loss determined under accounting principles which are generally accepted in the United States, is as follows:

	Year ended January 31		
	1996	1995	1994
Loss for the year, as reported	\$ (4,131,704)	\$ (3,151,119)	\$ (2,787,739)
Amortization of deferred marketing expense	90,390	52,987	15,585
Loss for the year in accordance with United States accounting principles	\$ (4,041,314)	\$ (3,098,132)	\$ (2,772,154)
Loss per share in accordance with United States accounting principles	\$ (0.25)	\$ (0.22)	\$ (0.21)

Effective February 1, 1994, the company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS 109") for its financial statements presented under United States accounting principles. The adoption of FAS 109 changes the company's method of accounting for income taxes from the deferred method, as recorded under Canadian accounting principles, to an asset and liability approach. Under the asset and liability method of FAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. There is no cumulative effect adjustment on the adoption of FAS 109 as at February 1, 1993.

The deferred tax asset consists of:

	January 31	
	1996	1995
Net operating loss carry-forwards	\$ 4,776,708	\$ 3,879,851
Unclaimed research and development costs	2,467,380	2,339,117
Investment tax credits	979,409	945,695
Other	344,294	251,297
	8,567,791	7,415,960
Valuation allowance	(8,567,791)	(7,415,960)
	\$ -	\$ -

In accordance with accounting policies generally accepted in the United States, a deficit cannot be reduced by a reduction of capital stock which is outlined in Note 10.

Accounting policies generally accepted in the United States require the consolidated statements of changes in financial position to reflect financing and investing activities on a cash basis.

Accordingly, the operating, financing and investing activities in the consolidated statements of changes in financial position in accordance with accounting policies generally accepted in the United States are as follows:

	Year ended January 31		
	1996	1995	1994
Cash provided by (used in)			
Operating activities			
Loss for the year	\$ (4,041,314)	\$ (3,098,132)	\$ (2,772,154)
Items not requiring a current outlay of cash			
Common shares and warrants issued for services	321,727	228,494	630,000
Depreciation and amortization	387,620	125,663	74,972
Changes in noncash working capital	446,149	(1,503,722)	(1,024,141)
	(2,885,818)	(4,247,697)	(3,091,323)
Financing activities			
Issuance of common shares and warrants	4,470,459	976,638	6,359,224
Bank and other indebtedness	(855,524)	1,295,821	72,292
Debenture (Note 8)	1,475,559	-	-
	5,090,494	2,272,459	6,431,516
Investing activities			
Purchase of fixed assets, net	(288,571)	(188,641)	(208,784)
Short-term deposits	-	2,000,000	(2,000,000)
	(288,571)	1,811,359	(2,208,784)
Increase (decrease) in cash during the year	\$ 1,916,105	\$ (163,879)	\$ 1,131,409

TELEPANEL SYSTEMS INC

"The ESL product appears to be poised on the threshold of universal acceptance and promising substantial growth."

CB Consultants, April 1996



"Edwards conducted a very extensive evaluation prior to our selection of your product. Having completed our installations, we feel we made the right decision and have accomplished our objectives."

Edwards Super Food Stores, September 1995



Display modules shown at actual size

TELEPANEL SYSTEMS INC

Telepanel...
setting the
world standard
for electronic
shelf labelling
systems.



Corporate Information

Address:

Telepanel Systems Inc.
245 Riviera Drive
Markham, Ontario, Canada L3R 5J9
(905) 477-7877 Fax (905) 477-9528

Auditors:

Price Waterhouse
1 First Canadian Place
Suite 3300, Box 190
Toronto, Ontario, Canada M5X 1H7

Stock Listings:

The Toronto Stock Exchange
Trading Symbol TLS

NASDAQ

Trading Symbol TLSIF

Transfer Agents & Registrar:

Montreal Trust Company
151 Front Street West
Suite 800
Toronto, Ontario, Canada M5J 2N1

Board of Directors:

Christopher R. Skillen
Chief Executive Officer
Telepanel Systems Inc.

Robert O. Aders
Chairman
The Advisory Board

Donald W. Paterson
President
Cavandale Corporation

Barry J. Reiter
Partner
Tory Tory DesLauriers & Binnington

Joseph Riz
Managing Director
Tricapital Management Limited

Paul F. Starita
Chairman
CIBC Securities Inc.

M. Kathy Vieth
Consultant
Vieth and Associates

Officers:

Joseph Riz
Chairman

Christopher R. Skillen
President and Chief Executive Officer

Garth L. Aasen
Vice President, Sales and Marketing

John C. Heaven
Vice President, Finance and Secretary

Douglas J. Gilpin
Vice President, Technology